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SIPDIS

SENSITIVE

DEPARTMENT FOR EUR/AGS (VIKMANIS-KELLER) AND INR/EU

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SUBJECT: HAIDER'S NEW MOVEMENT PLEDGES CONTINUED  
PARTICIPATION IN FEDERAL GOVERNMENT

REFS: A) VIENNA 738 B) VIENNA 739 C) VIENNA 945

D) VIENNA 1101

This message is sensitive but unclassified.

1. (SBU) SUMMARY: At its founding convention on April 17, the Freedom Party (FPÖ) spin-off, the "Alliance Future Austria" (BZÖ), elected Carinthian governor Joerg Haider as chairman. Haider underscored the commitment of BZÖ ministers and legislators to the governing coalition with Chancellor Schuessel's Peoples' Party (ÖVP). Haider presented the BZÖ as an "ideology-free platform" which seeks answers to the challenges of globalization. Recent polls indicate the Social Democrats (SPÖ) have the most to gain from ongoing turmoil on the right. Since some FPÖ deputies have failed to embrace the BZÖ, observers view the government's majority as at risk with each parliamentary vote. A struggle between the BZÖ and the "old" FPÖ over party finances and debts will keep the pot boiling. On the other hand, the prospect of serious losses in the event of new elections provides incentives for the ÖVP-BZÖ-FPÖ troika to remain together. Schuessel will have to weigh the risks of going into Austria's 2006 EU presidency with these arrangements. End summary.

#### BZÖ Founding Convention

2. (SBU) Under the slogan "Austria is flourishing," and with borrowed quotations from Albert Einstein and Thomas Jefferson, the "Alliance Future Austria" held an orange-draped founding convention at Salzburg's Mozart Airport on April 17. Over 500 delegates, the majority of them from Carinthia, unanimously elected Joerg Haider as new leader of the movement. Since Haider has pledged to complete his term as governor of Carinthia, the delegates installed Vice Chancellor Gorbach as executive manager, with Justice Minister Karin Miklautsch (from Carinthia, until now an independent) and Heike Trummer (from Vienna) as Haider's official deputies. Delegates also approved party by-laws and principles, which the leadership will flesh out into positions by the regular BZÖ convention later this year.

3. (SBU) BZÖ leader Haider spelled out the party's top priority: securing jobs in a globalized world driven by shareholder value and "unbridled liberalization." Haider accepted the reality of Austrian EU membership, but presented a vision of an EU with a stronger role for the member states. He proposed giving Austrians the opportunity to express their views on key EU decisions, such as the draft constitution, through referenda. BZÖ parliamentary caucus leader Herbert Scheibner stressed that the BZÖ rejected all 20th century ideologies and "isms" -- especially anti-Semitism.

#### Parliamentary Caucus: BZÖ, FPÖ, Independents, Straddlers

4. (SBU) It remains unclear how many of the 18 members of parliament originally elected as FPÖ deputies will embrace the new movement. Nine have so far declared allegiance to the BZÖ. Three MPs stated they will remain in the "old" FPÖ, but said they would decide on a case-by-case basis whether to support the government. The remaining six have taken wait-and-see positions or chosen to remain independent. The FPÖ and BZÖ are locked in a bitter fight over who will assume the FPÖ's accrued debts (some three to seven million Euros) and receive various official subsidies provided under Austrian law. Several thorny issues will inevitably land in the courts.

5. (SBU) If the "old" FPÖ members win over two more straddlers, they would reach the minimum required for a separate caucus (with concomitant perks and subsidies). Such a development would hardly help stabilize the government. Under the old ÖVP-FPÖ line-up, the Schuessel government enjoyed a 5-seat margin in parliament. But with only nine former FPÖ deputies firmly committed to the pro-coalition BZÖ, the coalition is, in theory, four

seats short of a majority. On the margins of the convention, BZO caucus leader Scheibner told us he was nevertheless confident of delivering reliable majorities for the coalition under the new arrangements. Scheibner said he expects "problems" with only three MPs: Lower Austrian FPO chief Barbara Rosenkranz, Reinhard Boesch (Vorarlberg) and former Justice Minister Dieter Boehmdorfer.

16. (SBU) The new volatility became evident in the Upper House of Parliament on April 14, when the SPO and Greens introduced a non-binding motion for new elections. Despite an agreement by OVP and BZO/FPO MPs to vote it down, FPO MP John Gudenus voted with the opposition, allowing the motion to pass by a razor-thin margin. While the vote had no practical impact, it illustrated the fragility of the government's majority.

Both BZO and FPO stand to lose in elections  
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17. (SBU) A recent poll indicated the Social Democrats have the most to gain from the turmoil the FPO split unleashed. The SPO now leads Schuessel's OVP in party preference by seven points. However, the numbers could be misleading: Austrians view Schuessel as a factor for stability, and far more of them trust him to guide the country through turbulent times than his competitor, SPO chief Alfred Gusenbauer. The survey showed the Greens clearly in third place (at 12 percent). Both the BZO, at five percent, and the FPO, at three, would have to worry about missing the four percent threshold for seats in parliament in the event of new elections.

18. (SBU) COMMENT: The FPO split has increased coalition instability. "Old" FPO MPs might vote against the government on bills regarding asylum, army or health reform or, in the "standing committee" (Hauptausschuss), on EU issues or peacekeeping deployments. Still, Realpolitik may provide the glue to hold together an unwieldy de facto three-party coalition of OVP, BZO and FPO -- despite the BZO/FPO trench warfare over subsidies and debts. All three parties would have to expect serious losses in the event of early elections. The OVP and BZO will more likely hammer out a strategic minimal consensus to carry them through for another year and a half until regular elections are due. Schuessel, virtually alone, will have to weigh the risk of embarking on Austria's EU presidency in January 2006 with this odd collection of bedfellows.

BROWN